Mafube Local Municipality
(Registration number FS 205)
Annual Financial Statements
for the year ended 30 June 2018
Auditor General of South Africa

Mafube Local Municipality
Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	A municipality, which is an organ of state within the local sphere of goverment exercising legislative and executive authority
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interests of the local community mainly in the Mafube area.
Grading of local municipality	2
Mayor	Sigas JE
Councillors	Motaung NE
	Plessie MCDU
	Sekhoto MM
	Moloi MT
	Hlongwane JJ
	Pretorious JJ
	Jafta UC
	Mosia AS
	Motloung P
	Hadebe M
	Mofokeng MM
	Kotsi JT
	Motloung WC
	Monaune PM
	Kubeka LS
	Mosia MA
	Motloung FP
	Mokuene RP
	Moloi TL
Grading of local authority	Medium capacity, category B municipality as defined by the Municicipal strutures Act, Act No 117 of 1998
Accounting Officer	Mr M J Matlole

The municipality was placed under administration in terms of section 139 of the Constitution and this resulted in **Mr S Notsi** from Provincial Treasury being seconded to the municipality.

Chief Finance Officer (CFO)	Mr A Makoae Mrs P Rametse (Acting)
Registered office	Municipal Offices 64 JJ Hadebe Street Frankfort Free State 9830
Postal address	PO Box 2 Frankfort Free State 9830
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Peyper Attornerys Stander and Green Attorneus

General Information

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour is applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 3 to 63,which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2019

Accounting Officer
Mr M J Matlole

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities,contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at June 30, 2018, the municipality had accumulated deficits of R119 426 982 and that the municipality's total assets exceed its liabilities by R 343 821 870.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is placed under administration in terms of section 139 of the Constitution as it could not fulfil its executive obligation in terms of the Constitution.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr M J Matlole (Municipal Manager)	South African

5. Controlling entity

The Accounting Officers had no interest in any contracts.

6. Economic entity

The Financial statements are prepared in accordance with the South African Standards of the Generally Accepted Accounting Practice, including any interpretation of such standards issued by the prescribed standards of the Generally Recognised Accounting Practices issued by the accounting standards board as prescribed framework by National Treasury.

7. Non- Current Assets

There were no major changes in the nature of the non - current assets of the municipality during the year.

8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

9. Retirement benefit obligation

Management performed an actuarial valuation of the employee benefit of the employers liability arising from the post-retirement healthcare subsidy payable to current & retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

Mafube Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	8	960 081	1 059 344
Other financial assets	6	110 048	86 108
Other debtors	9	8 198 776	6 380 965
Receivables from non-exchange transactions	10	9 255 225	21 563 027
Receivables from exchange transactions	11	112 575 899	100 460 417
Cash and cash equivalents	12	4 038 598	1 625 268
		135 138 627	**131 175 129**
Non-Current Assets			
Investment property	2	72 142 138	72 524 418
Property, plant and equipment	3	705 597 239	745 485 659
Intangible assets	4	311 368	343 050
Heritage assets	5	35 758	35 758
Other financial assets	6	353 184	355 468
		778 439 687	**818 744 353**
Total Assets		**913 578 314**	**949 919 482**
Liabilities			
Current Liabilities			
Other financial liabilities	14	4 665 022	4 393 318
Payables from exchange transactions	16	527 455 133	441 139 687
VAT payable	17	3 031 764	1 067 372
Consumer deposits	18	1 479 268	1 477 332
Employee benefit obligation	7	1 471 000	1 404 000
Unspent conditional grants and receipts	13	8 953 816	15 855 583
Provisions	15	960 593	902 836
Bank overdraft	12	1 530 035	-
		549 546 631	**466 240 128**
Non-Current Liabilities			
Other financial liabilities	14	-	243 177
Employee benefit obligation	7	11 162 000	11 481 000
Provisions	15	9 047 810	8 681 412
		20 209 810	**20 405 589**
Total Liabilities		**569 756 441**	**486 645 717**
Net Assets		**343 821 873**	**463 273 765**
Accumulated surplus		343 821 870	463 273 765

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	70 574 280	65 705 098
Other income	24	3 305 428	3 757 447
Interest revenue	29	16 908 520	23 729 805
Actuarial gains		585 000	2 191 000
Total revenue from exchange transactions		**91 373 228**	**95 383 350**
Revenue from non-exchange transactions			
Taxation revenue			
Other Income	30	9 250	1 181 547
Property rates	21	29 793 020	23 319 097
Transfer from Fezile Dabi		17 959 060	-
Transfer revenue			
Government grants & subsidies	23	92 736 297	96 257 217
Total revenue from non-exchange transactions		**140 497 627**	**120 757 861**
Total revenue	20	**231 870 855**	**216 141 211**
Expenditure			
Employee related costs	26	(84 856 881)	(83 924 907)
Remuneration of councillors	27	(5 800 615)	(5 487 409)
Depreciation and amortisation	31	(55 218 611)	(55 930 957)
Finance costs	32	(41 287 517)	(42 519 369)
Debt Impairment	28	(83 350 500)	(99 956 040)
Bulk purchases	35	(40 261 545)	(20 231 330)
Transfers and Subsidies	34	-	(3 428 952)
Loss on assets		-	(3 068 978)
General Expenses	25	(40 522 168)	(67 403 256)
Total expenditure		**(351 297 837)**	**(381 951 198)**
Deficit for the year		**(119 426 982)**	**(165 809 987)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**629 083 752**	**629 083 752**
Changes in net assets		
Surplus for the year/(Deficit)	(165 809 987)	(165 809 987)
Total changes	(165 809 987)	(165 809 987)
Restated* Balance at 01 July 2017	**463 248 852**	**463 248 852**
Changes in net assets		
Surplus for the year/(Deficit)	(119 426 982)	(119 426 982)
Total changes	(119 426 982)	(119 426 982)
Balance at 30 June 2018	**343 821 870**	**343 821 870**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		167 298 670	92 132 699
Other receipts		2 072 627	4 936 043
Grants		85 147 854	87 186 785
Interest income		16 908 520	23 729 805
		271 427 671	207 985 332
Payments			
Employee costs		(88 684 206)	(88 975 316)
Suppliers		(139 933 405)	(68 056 042)
Finance costs		(41 287 517)	(42 519 369)
		(269 905 128)	(199 550 727)
Net cash flows from operating activities	36	**1 522 543**	**8 434 605**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(132 490)	(6 900 291)
Cash flows from financing activities			
Repayment of other financial liabilities		(506 758)	(544 391)
Net cash flows from financing activities		**(506 758)**	**(544 391)**
Net increase/(decrease) in cash and cash equivalents		**883 295**	**989 923**
Cash and cash equivalents at the beginning of the year		1 625 268	635 345
Cash and cash equivalents at the end of the year	12	**2 508 563**	**1 625 268**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	57 186 170	-	**57 186 170**	70 574 280	**13 388 110**	49
Other income	6 264 041	-	**6 264 041**	3 305 428	**(2 958 613)**	49
Interest received	27 627 121	-	**27 627 121**	16 908 520	**(10 718 601)**	49
Total revenue from exchange transactions	**91 077 332**	**-**	**91 077 332**	**90 788 228**	**(289 104)**	
Revenue from non-exchange transactions						
Taxation revenue						
Traffic fines	75 000	-	**75 000**	9 250	**(65 750)**	49
Property rates	28 804 972	-	**28 804 972**	29 793 020	**988 048**	49
Transfers fron Fezi Dabi	-	-	**-**	17 959 060	**17 959 060**	49
Transfer revenue						
Government grants & subsidies	115 252 000	-	**115 252 000**	92 736 297	**(22 515 703)**	49
Total revenue from non-exchange transactions	**144 131 972**	**-**	**144 131 972**	**140 497 627**	**(3 634 345)**	
Total revenue	**235 209 304**	**-**	**235 209 304**	**231 285 855**	**(3 923 449)**	
Expenditure						
Employee Cost	(85 790 605)	-	**(85 790 605)**	(84 856 881)	**933 724**	49
Remuneration of councillors	(5 985 658)	-	**(5 985 658)**	(5 800 615)	**185 043**	49
Depreciation and amortisation	38 259 177	(38 259 177)	**-**	(55 218 611)	**(55 218 611)**	49
Finance costs	(3 298 072)	-	**(3 298 072)**	(41 287 517)	**(37 989 445)**	49
Debt Impairment	-	-	**-**	(83 350 500)	**(83 350 500)**	49
Bulk purchases	(6 000 000)	-	**(6 000 000)**	(40 261 545)	**(34 261 545)**	
General Expenses	(183 807 766)	-	**(183 807 766)**	(40 522 168)	**143 285 598**	49
Total expenditure	**(246 622 924)**	**(38 259 177)**	**(284 882 101)**	**(351 297 837)**	**(66 415 736)**	
Operating deficit	**(11 413 620)**	**(38 259 177)**	**(49 672 797)**	**(120 011 982)**	**(70 339 185)**	
Actuarial gains/losses	-	-	**-**	585 000	**585 000**	
Deficit before taxation	**(11 413 620)**	**(38 259 177)**	**(49 672 797)**	**(119 426 982)**	**(69 754 185)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(11 413 620)**	**(38 259 177)**	**(49 672 797)**	**(119 426 982)**	**(69 754 185)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period and in some cases additional information was included in the accounting policies.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Employee benefit obligation

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Provision for impairment of receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property excludes owner-occupied property that is used in the production or supply of goods and services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial cost measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	50 years

Disposal

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements .

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Accounting Policies

1.5 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

1.7 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

1.9 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial assets	Financial asset measured at fair value
Other receivables	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposit	Financial liability measured at amortised cost
Payable form exchange transaction	Financial liability measured at amortised cost
Financial liability	Financial liability measured at fair value

Class	Category

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transactions are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Tax

Value Added Tax

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scope out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amounts of any reversals of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The Redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a Redesignation is appropriate.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

1.14 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised, except in entity combinations.
Contingencies are disclosed in note 39.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and .
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Use by others of the entity's assets

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

1.17 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

The Municipal Finance Management Act No.56 of 2003 under paragraph 1 defines Irregular expenditure ", in relation to a municipality or municipal entity, as;

(a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipal Systems Act, and which has not been condoned in terms of the MFMA;or
(c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office- Bearers Act 1998 (Act no.20 of 1998);
(c) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

National Treasury circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, (Act 56 of 2003 on 10 May 2013) requires the following:

Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which approval for write off is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The approved budget covers the period from 1 July 2017 to 30 June 2018.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

Accounting Policies

1.26 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date.

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Consumer deposits

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payables.

1.28 Unspent conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria,conditions or obligations have not been met a liability is recognised.

1.29 Public private partnership

The municipality has the following PPP's

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance and expansion of the municipal network, inclusive of the revenue management process, as well as the implementation of a regional electrification programme ("the project"). Rural will take over the operation of the existing/ initial assets ("network assets") and will also install new assets ("investment assets"). Rural will be allowed to commission the electricity generation plant for own generation and sale to consumers ("the public") of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the network and shall ensure there is appropriately insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the Investment assets will transfer the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Rural pay to the Municipality a monthly royalty for the use of the Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed except with regards to annual rates increases. Rural shall be entitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statements will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shall bear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respect of all demonstrable losses and damages including but not limited to, loss of future income as well as market-created compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 years' notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guideline when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

- The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price;t
- The municipality controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the agreement

Accounting Policies

1.29 Public private partnership (continued)

- Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:
- The underlying assets in the arrangement are recognised by the municipality`
- Any unitary payments made are split between the asset and service element
- The municipality recognises a liability with respect to its obligation to the private entity (in the form of a financial liability where the private party will receive a consideration from the municipality)

1.30 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
-Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
-Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

2. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	83 212 922	(11 070 784)	72 142 138	83 212 921	(10 688 503)	72 524 418

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	72 524 418	(382 280)	72 142 138

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Depreciation	Total
Investment property	72 906 699	(382 280)	(382 280)	72 524 418

Pledged as security

No property was pledged as security for any financial liability

There are no contractual obligations on Investment property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

2. Investment property (continued)

Reasons for Using the Cost Model:

Mafube Local Municipality adopted a cost model approach in recognising Investment Property in the 2016 financial year, this is in line with the previous financial year and the Municipality had no change in accounting policy with regards to the measurement of Investment Property.

Entities in the public sector often own a significant number of properties. While the properties are most often used to deliver goods or services in accordance with each entity's respective mandated functions, some entities use them to provide additional sources of revenue, e.g. through rental, or through the value that could be realised if the properties are sold. The majority of Investment Properties held relates to vacant land as well as farm portions, these properties do not impact the strategy or operational decision making of the entity and fair values are therefore not required at each reporting date. The fair value model also leads to higher consulting cost each year as the fair values need to be reassessed at each reporting date.

The cost model of accounting is therefore used in accounting for Investment Properties

Restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 797 486	-	4 797 486	4 797 486	-	4 797 486
Buildings- Admin	6 182 109	(2 972 946)	3 209 163	6 182 109	(2 849 304)	3 332 805
Buildings- Community	5 394 581	(3 182 813)	2 211 768	5 394 581	(3 074 915)	2 319 666
Plant and machinery	1 912 211	(1 294 620)	617 591	1 912 211	(961 528)	950 683
Furniture and fixtures	2 211 742	(1 641 266)	570 476	2 211 742	(1 339 982)	871 760
Motor vehicles	14 189 539	(10 595 050)	3 594 489	14 189 539	(8 801 141)	5 388 398
Office equipment	2 010 227	(1 330 962)	679 265	1 877 738	(957 313)	920 425
Infrastructure	1 107 382 190	(530 429 406)	576 952 784	1 359 348 253	(732 157 508)	627 190 745
Community	123 179 831	(74 649 600)	48 530 231	123 179 831	(71 542 815)	51 637 016
Landfill Rehabilitation Asset	9 507 548	(6 494 800)	3 012 748	9 284 989	(5 495 566)	3 789 423
Work in Progress	61 421 238	-	61 421 238	44 287 252	-	44 287 252
Total	**1 338 188 702**	**(632 591 463)**	**705 597 239**	**1 572 665 731**	**(827 180 072)**	**745 485 659**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	4 797 486	-	-	-	-	-	4 797 486
Buildings	3 332 805	-	-	-	-	(123 642)	3 209 163
Buildings-Community	2 319 659	-	-	-	-	(107 891)	2 211 768
Plant and machinery	950 684	-	-	-	-	(333 093)	617 591
Furniture and fixtures	871 760	-	-	-	-	(301 284)	570 476
Motor vehicles	5 388 398	-	-	-	-	(1 793 909)	3 594 489
Office equipment	920 424	132 490	-	-	-	(373 649)	679 265
Infrastructure	627 190 745	-	2 369 305	-	-	(47 697 039)	576 952 784
Community	51 637 016	-	-	-	-	(3 074 907)	48 530 231
Landfill Rehabilitation Asset	3 789 423	-	-	-	222 559	(999 234)	3 012 748
Work in Progress	44 287 252	-	-	(2 369 305)	19 503 291	-	61 421 238
	745 485 652	**132 490**	**2 369 305**	**(2 369 305)**	**19 725 850**	**(54 804 648)**	**705 597 239**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	2 985 986	1 811 500	-	-	-	-	4 797 486
Buildings	3 456 447	-	-	-	-	(123 642)	3 332 805
Buildings-Community	2 427 557	-	-	-	-	(107 891)	2 319 659
Plant and machinery	1 347 610	146 783	(358 868)	-	-	(397 101)	950 684
Furniture and fixtures	1 337 565	-	(363 017)	-	-	(399 913)	871 760
Motor vehicles	8 166 963	-	(2 272 047)	-	-	(2 546 020)	5 388 398
Office equipment	1 408 164	281 505	(440 209)	-	-	(611 758)	920 425
Infrastructure	670 884 709	1 056 220	(1 940 533)	4 533 591	-	(47 343 243)	627 190 745
Community	54 890 679	-	(5 264)	-	-	(3 249 577)	51 637 016
Landfill rehabilitation asset	5 537 974	-	-	-	-	(1 051 401)	3 789 423
Work in progress	36 856 120	3 604 283	-	-	(4 533 591)	-	35 926 812
	789 299 774	**6 900 291**	**(5 379 938)**	**4 533 591**	**(4 533 591)**	**(55 830 546)**	**737 125 213**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain Property plan and Equipment		
Infrustructure	6 258 420	10 078 326
Motor vechile	-	987 923
Office equipment	627 160	1 000
Buildings	481 628	2 083 082
	7 367 208	**13 150 331**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 766 607	(1 455 239)	311 368	1 766 607	(1 423 557)	343 050

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	343 050	(31 682)	311 368

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	697 340	(354 290)	343 050

Other information

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

5. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chains	35 758	-	35 758	35 758	-	35 758

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chains	35 758	35 758

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral chains	35 758	35 758

Pledged as security

Carrying value of heritage assets pledged as security:

[Insert terms and conditions here where terms and conditions are the same]

6. Other financial assets

	2018	2017
At fair value		
VKB Agriculture Limited - Short term member loan	78 159	60 405
Terms and conditions		
VKB Agriculture Limited - Security member loan	26 889	20 703
Terms and conditions		
VKB Agriculture Limited - Member Funds	273 849	276 133
Terms and conditions		
VKB Agriculture Limited - Membership	5 000	5 000
Terms and conditions		

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
6. Other financial assets (continued)		
VKB Agriculture Limited - Reserves	79 335	79 335
Terms and conditions		
	463 232	**441 576**
Total other financial assets	**441 576**	**420 674**
Non-current assets		
Loans and receivables	353 184	355 468
Current assets		
Loans and Receivables	110 048	86 108

7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2018	2017
Carrying value		
Present value of the post-employment medical aid benefit	(6 679 000)	(7 279 000)
Present value of the long service award benefit	(5 954 000)	(5 606 000)
	(12 633 000)	**(12 885 000)**
Non-current liabilities	(11 162 000)	(11 481 000)
Current liabilities	(1 471 000)	(1 404 000)
	(12 633 000)	**(12 885 000)**

These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
Opening balance	12 885 000	14 276 000
Net expense recognised in the statement of financial performance	(252 000)	(1 391 000)
	12 633 000	**12 885 000**

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	637 000	654 000
Interest cost	1 100 000	1 237 000
Actuarial (gains) losses	(585 000)	(2 191 000)
Benefits paid	(1 404 000)	(1 091 000)
	(252 000)	**(1 391 000)**

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolutions 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which state that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement.

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:
- Bonitas
- Hosmed
- Discovery
- Key-Health
- LA Health
- Samwumed

Long Service benefits.

.
The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonus are payable in the following scale:
.

Years of service completed	Percentage of annual salary as a bonus	Additional Leavedays
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 24 - 45 Years	6%	15 days

Calculation of actuarial gains and losses

Actuarial (gains)/losses - Long service	77 000	(151 000)
Actuarial (gains) losses – Medical Aid	(662 000)	(2 040 000)
	(585 000)	**(2 191 000)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates use (Medical aid)	9,32 %	9,30 %
Discount rates used (Long Service)	8,81 %	8,67 %
Salary increase rate (Long service)	6,38 %	6,47 %
Expected rate of return on reimbursement rights (Medical aid)	7,40 %	7,65 %
CPI (Medical aid)	5,90 %	6,15 %
CPI (Long service)	5,38 %	5,47 %
Net Discount Rate (Long Service)	2,28 %	2,07 %
Net Discount Rate (Medical Aid)	1,79 %	1,53 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability (Long service awards)	6 351 000	5 595 000
Current service cost (Long service awards)	678 000	601 000
Interest cost (Long service awards)	519 000	453 000
Employer's accrued liability (Medical aid)	7 267 000	6 159 000
Interest cost (Medical aid)	651 000	548 000

	2018	2017	2016	2015	2014
Defined benefit obligation	12 633 000	12 885 000	14 276 000	14 457 948	14 674 813

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:
- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:
- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers..

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans..

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Inventories

Consumable stores	931 619	1 031 487
Water	28 462	27 857
	960 081	**1 059 344**

Carrying value of inventories carried at fair value less costs to sell	734 524	1 628 495

Inventory pledged as security

No Inventory was pledged as security for any financial liability.

9. Other debtors

Councillor overpayment	2 592 313	2 592 313
Councillor overpayment receivable - Impairment	(863 037)	(863 037)
Other receivable	4 631 689	4 631 689
Sundry receivables	1 837 804	20 000
	8 198 769	**6 380 965**

Other receivables pledged as security

None of the other receivables were pledged as security.

Fair value of other receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

10. Receivables from non-exchange transactions

Consumer debtors - Rates	43 878 522	46 949 468
Rates - Impairment	(34 623 297)	(25 386 442)
	9 255 225	**21 563 026**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Fair value of receivables from non-exchange transactions

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values

Receivables from non-exchange transactions impaired

As of 30 June 2018, other receivables from non-exchange transactions of (R34 623 327) (2017): (R 25 386 442) were impaired and provided for.

The following factors was considered in determining the impairment:

- Aging of the outstanding debt.

- Whether or not any payment was received during the year.

- Whether the account is active or inactive.

- Whether the account is that of an owner or a tenant.

11. Receivables from exchange transactions

Gross balances		
Electricity	5 448 991	5 455 021
Water	185 718 567	143 806 096
Sewerage	126 069 201	102 077 993
Refuse	100 783 419	86 173 270
Sundry consumer services	9 407 456	3 688 478
	427 427 634	**341 200 858**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

11. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(2 704 343)	(2 606 430)
Water	(140 377 276)	(101 317 893)
Sewerage	(91 984 520)	(70 782 182)
Refuse	(72 124 023)	(59 515 542)
Sundry consumer services	(7 661 573)	(6 518 394)
	(314 851 735)	**(240 740 441)**

Net balance		
Electricity	2 744 648	2 848 591
Water	45 341 291	42 488 203
Sewerage	34 084 681	31 295 811
Refuse	28 659 396	26 657 728
Sundry consumer services	1 745 883	(2 829 916)
	112 575 899	**100 460 417**

Receivables from exchange

None of the receivables from exchange transactions were pledged as security.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of receivables from exchange transactions:

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from exchange transactions impaired:

The amount of the provision was (R314 854 356) as of 30 June 2018 (2017: (R 240 740 441).

The following factors was considered in determining the impairment:

- Aging of the outstanding debt.

- Whether or not any payment was received during the year.

- Whether the account is active or inactive.

- Whether the account is that of an owner or a tenant.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	-	1 014 526
Short-term deposits	4 038 598	610 742
Bank overdraft	(1 530 035)	-
	2 508 563	**1 625 268**

Current assets	4 038 598	1 625 268
Current liabilities	(1 530 035)	-
	2 508 563	**1 625 268**

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA - Primary Account - 405-282-3517	348 368	44 769	89 078	(1 530 035)	1 014 526	87 055
ABSA - Call Account - 909 - 011-1270	3 240	3 135	519 275	3 240	3 135	519 275
ABSA - Call Account - 922 - 961 - 8782	1 667	1 646	26 489	1 667	1 646	26 489
ABSA - Call Account - 923-238-7538	4 033 535	605 961	2 526	4 033 535	605 961	2 526
Total	**4 386 810**	**655 511**	**637 368**	**2 508 407**	**1 625 268**	**635 345**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018	2017
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	6 667 560	7 452 893
Integrated National Electrification Grant	541 760	5 398 383
Finance Management Grant	2 842	574 056
Electricity Efficiency Grant (Demand)	1 741 654	2 430 251
	8 953 816	**15 855 583**

Movement during the year

	2018	2017
Balance at the beginning of the year	15 855 583	20 390 799
Additions during the year	-	2 708 001
Income recognition during the year	(6 901 767)	(7 243 217)
	8 953 816	**15 855 583**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

14. Other financial liabilities

	2018	2017
At amortised cost		
DBSA - 61006963 The loan is from the Development Bank of Southern Africa (DBSA) and repayments are payable on a 3 monthly basis in equal instalments. The redemption date is 31 December 2021 and the loan bears interest at a fixed rate of 5% on the loan and 7% on the arrears. When the municipality defaulted, the loan was rescheduled to the terms and conditions above, on 1 March 2012. The municipality has however; commenced with a repayment of R50 000 per month, of which the first payment commenced in March 2014. The arrears account has now been fully settled and the municipality is thus paying off the principle amount.	-	506 758
Rural loan The Municipality received an advance from Rural Maintenance (Pty) Ltd on 30 June 2014 and November 2014.	4 665 022	4 129 737
	4 665 022	**4 636 495**
Total other financial liabilities	**4 665 022**	**4 636 495**
Non-current liabilities		
At amortised cost	-	243 177

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Other financial liabilities (continued)

Current liabilities		
At amortised cost	4 665 022	4 393 318

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Change in site life	Change in the priced quotations	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill sites	9 584 248	477 705	127 543	201 596	(382 689)	10 008 403

Reconciliation of provisions - 2017

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill sites	10 079 802	201 596	(697 150)	9 584 248

	2018	2017
Non-current liabilities	9 047 810	8 681 412
Current liabilities	960 593	902 836
	10 008 403	**9 584 248**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through investigation to determine the best estimate for the restoration at closure. The investigation comprised a desk study and site walkover. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs (DWA) which falls under the Waste Act (Act No. 59 of 2008).

The Municipality has four active landfill sites as per the asset register

Landfill site	**Estimated useful life** :
- Frankfort Landfill;	9 years (2017: 10)
- Mafahlaneng Landfill	0 years (2017: 0)
- Ntshwanatsatsi Landfill	15 years (2017: 16)
- Villiers Landfill	11 years (2017 10)

There were no landfill sites developed, planned or closed during the current or prior reporting period.

A permit issued to any landfill site before 2008 would have fallen under the Environment Conservation Act, 1989 (Act No.73 of 1989).
It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licenced as required by the Waste Act (Act No. 59 of 2008).

The key assumptions used in the valuation, with the prior years assumptions shown for comparison is as follows:

Detail:	**2018**	**2017**
Discount rate(D)	9.60%	9.42%
Consumer price inflation(C)	6.04%	6.12%
Net Discount Rate((1+D)/(1+H)-1)	3.34%	3.11%

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Payables from exchange transactions

Trade payables	6 453 984	4 321 192
Payments made in advance	5 561 848	11 114 076
Accrued leave pay	7 121 119	6 795 074
Accrued expense	49 544 187	52 883 031
13th Cheque accrual*	1 981 618	1 756 088
Other payables	159 800	186 559
Salary control accounts	108 670 146	84 154 196
Retention's on contract creditors	4 775 021	3 230 790
Income received in advance****	5 267 584	5 560 227
Eskom	61 605 168	61 391 036
Department of Water Affairs (DWA)	202 314 475	144 021 160
Rural Maintenance***	74 000 183	54 694 868
Auditor-General	-	11 031 390
	527 455 133	**441 139 687**

The Municipality defaulted on the payment of suppliers within the legislative 30 days.

*Accrued bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year end represents the portion of the bonus which has vested with regards to the current salary from month of birth up until year end.

***Being the municipal electricity usage on municipal buildings, street lights, traffic lights, pump stations etc. owing to the service provider Rural Maintenance (Pty)Ltd.

**** The Municipality is receiving an inflow of resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.

17. VAT payable

Tax refunds payables	3 031 764	1 067 372

The Municipality is registered on the cash basis for VAT purposes, this means VAT is only declared once cash is received or actual payment is made. This balance includes VAT which was billed on debtors for services, as well as invoices captured for which payment was not made or received and, VAT outstanding for which payment was received from debtors.

18. Consumer deposits

Water	1 479 268	1 477 332

Deposits are paid by consumers on application for new water connections.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximate their fair values.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

19. Financial Instruments Disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from non exchange transactions	-	9 255 225	9 255 225
Other receivables	-	7 084 093	7 084 093
Other financial assets	453 098	-	453 098
Receivables from exchange transactions	-	112 573 278	112 573 278
Cash and cash equivalents	-	4 466 598	4 466 598
	453 098	**133 379 194**	**133 832 292**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	525 603 286	525 603 286
Bank overdraft	-	1 530 035	1 530 035
Unspent Conditional grants	-	8 953 817	8 953 817
Consumer deposits	-	1 479 268	1 479 268
Financial liability	4 665 022	-	4 665 022

2017

Financial assets

	At fair value	At amortised cost	Total
Receivables from non exchange transactions	-	21 563 026	21 563 026
Other receivables	-	6 380 965	6 380 965
Other financial assets	446 563	-	446 563
Cash and cash equivalents	-	1 625 268	1 625 268
Receivables from exchange transactions	-	100 460 417	100 460 417
	446 563	**130 029 676**	**130 476 239**

Financial liabilities

	At fair value	At cost	Total
Trade and other payables from exchange transactions	-	441 139 687	441 139 687
Consumer deposits	-	1 479 268	1 479 268
Unspent Conditional grants	-	15 855 583	15 855 583
Financial Liabilities	4 636 495	-	4 636 495
	4 636 495	**458 474 538**	**463 111 033**

20. Revenue

	2018	2017
Service charges	70 574 280	65 705 098
Other income - (rollup)	3 305 428	3 757 447
Interest received - investment	16 908 520	23 729 805
Fines	9 250	1 181 547
Property rates	29 793 020	23 319 097
Interest, dividends and Rent on Land	17 959 060	-
Government grants & subsidies	92 736 297	96 257 217
	231 285 855	**213 950 211**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Other income	9 250	1 181 547
Property rates	29 793 020	23 319 097
Interest, dividends and Rent on Land	17 959 060	-
Transfer revenue		
Government grants & subsidies	92 736 297	96 257 217
	140 497 627	**120 757 861**

21. Property rates

Rates received

Residential	20 700 797	21 364 593
Commercial	14 246 257	13 998 793
Agricultural	2 556 057	2 342 621
Less: Income forgone*	(7 710 091)	(14 386 910)
	29 793 020	**23 319 097**

*Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission. The amount forgone has increased from prior year as a result of more registrations which were done of pensioners who are levied rates on their properties, and an ongoing incentive which the municipality initiated as a mechanism to increase its collection.

Valuations

Residential	1 289 791 782	1 289 791 782
Business and Industrial	269 574 885	269 574 885
Government	188 702 923	188 702 923
Agriculture	3 551 613 200	3 551 613 200
Institutional, educational and churches	64 379 693	64 379 693
	5 364 062 483	**5 364 062 483**

Valuations on land and buildings are performed every 5 years. The last general valuation roll was done in November 2015 and came into effect on 1 July 2016, and is based on market-related values.

As per the approved budget the basic rates were adjusted as follows;

R 0,008685338	(2017:R 0.0079835808)	Rate per Rand on the value of rateable residential property
R 0,01950663	(2017:R 0.017930536)	Rate per Rand on the value of rateable business property
R 0,08283452	(2017:R 0.0761416656)	Rate per Rand on the value of rateable government property
R 0,00072078	(2017:R 0.00062504)	Rate per Rand on the value of agricultural property

22. Service charges

Service Charges	-	1 485 563
Departmental charges	8 306 850	-
Sale of water	39 591 482	33 803 437
Solid waste	-	22 036
Sewerage and sanitation charges	19 306 386	17 010 671
Refuse removal	11 682 862	13 383 391
Departmental charges	(8 313 300)	-
	70 574 280	**65 705 098**

Figures in Rand	2018	2017

23. Government grants and subsidies

	2018	2017
Operating grants		
Equitable share	78 508 000	77 214 000
Treasury and Cooperative Governance and Traditional Affairs (COGTA)	9 191 155	11 800 000
Finance Management Grant (FMG)	2 563 214	1 435 944
	90 262 369	90 449 944
Capital grants		
Expanded Public Works Program Integrated Grant (EPWP)	1 000 000	999 000
Electricity Efficiency Grant (EEDG)	688 596	2 569 750
Integrated National Electrification Program (INEP)	-	1 173 617
Municipal Infrastructure Grant (MIG)	785 332	1 064 906
	2 473 928	5 807 273

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2018	2017
Conditional grants received	2 473 928	5 807 273
Unconditional grants received	90 262 369	90 449 944
	92 736 297	**96 257 217**

Municipal Infrastructure grant (MIG)

	2018	2017
Balance unspent at beginning of year	(7 452 893)	(7 452 893)
Conditions met - transferred to revenue	785 332	-
	(6 667 561)	**(7 452 893)**

Conditions still to be met - remain liabilities (see note 13).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Expanded Public Works Program Integrated (EPWP)

	2018	2017
Balance unspent at beginning of year	-	(816 800)
Current-year receipts	(1 000 000)	(1 000 000)
Conditions met - transferred to revenue	1 000 000	999 000
Other	-	817 800
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Integrated National Electrification Program (INEP)

	2018	2017
Balance unspent at beginning of year	(5 398 083)	(644 313)
Current-year receipts	-	(6 572 000)
Conditions met - transferred to revenue	4 856 623	1 173 617
Other	-	644 613
	(541 460)	**(5 398 083)**

Conditions still to be met - remain liabilities (see note 13).

Treasury and Cooperative Governance and Traditional Affairs (COGTA)

	2018	2017
Current-year receipts	(8 504 479)	(11 800 000)
Conditions met - transferred to revenue	8 504 479	11 800 000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Government grants and subsidies (continued)

	-	-

Conditions have been met

Finance Management Grant (FMG)

Balance unspent at beginning of year	(574 056)	(858 326)
Current-year receipts	(2 345 000)	(2 010 000)
Conditions met - transferred to revenue	2 916 214	1 435 944
Other	-	858 326
	(2 842)	**(574 056)**

Conditions still to be met - remain liabilities (see note 13).

Equitable Share

Current-year receipts	(78 508 000)	(77 214 000)
Conditions met - transferred to revenue	78 508 000	77 214 000
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Electricity Efficiency Grant (EEDG)

Balance unspent at beginning of year	(2 430 251)	(360 983)
Current-year receipts	-	(5 000 000)
Conditions met - transferred to revenue	688 596	2 569 749
Other	-	360 983
	(1 741 655)	**(2 430 251)**

Conditions still to be met - remain liabilities (see note 13).

24. Other income

Connection fees	29 472	26 222
Ground gravel and soil	13 619	12 036
Cemetery fees	221 008	145 562
Certificates	39 996	46 839
Tender deposits	11 023	9 902
Building plans	42 664	55 029
Rental of premises	104 392	109 829
Venue hire	25 746	25 421
Sundry income	547 059	454 674
Recoveries	-	304 602
Royalty income	2 270 449	2 567 331
	3 305 428	**3 757 447**

Figures in Rand	2018	2017

25. General expenses

Advertising	654 036	228 294
Audit fees	91 165	5 368 786
Bank charges	253 235	246 788
Cleaning	1 046 236	180 328
Consulting and professional fees	1 929 523	2 524 582
Entertainment	-	370 436
Operating cost of machine	-	78 152
Insurance	1 133 565	1 114 925
Community development and training	392 414	2 809 758
Conferences and seminars	-	181 022
Repairs and maintenance	7 328 333	13 150 331
IT expenses	202 449	2 871 449
Motor vehicle expenses	-	8 718
Electricity purchases	10 149 164	10 669 014
Fuel and oil	1 462 203	1 900 563
Placement fees	-	322 504
Printing and stationery	1 396 781	1 188 121
Promotions	-	1 652
Protective clothing	-	333 253
Security (Guarding of municipal property)	27 043	142 800
Software expenses	-	481 260
Staff welfare	74 552	268 172
Subscriptions and membership fees	879 291	2 576 695
Telephone and fax	2 344 963	2 043 361
Travel - local	2 233 596	1 652 056
Skills development Levy	732 554	171 181
Other expenses	447 412	647 212
Integrated development plan (IDP)	-	30 000
Pauper burials	111 550	26 881
Legal fees	532 482	2 262 197
Rental of Vehicles and Equipment	4 297 974	10 803 831
Bursaries	10 992	8 750
Chemicals	2 655 260	2 645 041
Audit Committee Sitting Fees	135 395	95 143
	40 522 168	**67 403 256**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs

Basic	54 250 975	76 932 262
Bonus	4 447 336	4 371 384
Medical aid - company contributions	1 176 630	-
UIF	530 765	-
SDL	3 376	-
Leave pay provision charge	1 423 761	2 621 261
Defined contribution plans	12 063 966	-
Travel, motor car, accommodation, subsistence and other allowances	6 342 542	-
Overtime payments	2 079 113	-
Long-service awards	55 178	-
Acting allowances	1 135 496	-
Housing benefits and allowances	538 694	-
Cellphone and Telephone	145 000	-
Standby Allowance	586 653	-
Bargianing Council	77 396	-
	84 856 881	**83 924 907**

Remuneration of Municipal Manager - PI Radebe

Annual Remuneration	184 393	708 209
Car Allowance	56 427	225 707
Contribution to SDL	9 391	11 439
Contribution to UIF	3 224	1 785
Contribution to Medical and pension funds	56 452	225 807
BackPay	99 090	29 364
Leave pay	554 006	-
	962 983	**1 202 311**

The council placed PI Radebe on special leave. Mr PI Radebe was remunerated in full for the whole period that he was placed on special leave.

Remuneration of Chief Finance Officer - A Hlubi

Annual Remuneration	-	885 836
Car Allowance	-	144 000
Contribution to SDL	-	11 831
Contributions to UIF, Medical and Pension Funds	-	1 785
Leave pay	-	155 987
Back pay	-	26 075
	-	**1 225 514**

Mr Hlubi term of officed ended in the 2016/2017 financial year

Remuneration of Chief Finance Officer MA Makoae

Annual Remuneration	214 832	-
Car Allowance	66 441	-
Contribution to SDL	3 164	-
Contribution to UIF	595	-
Contributions to Medical and Pension Funds	47 177	-
	332 209	**-**

Mr A Makaoe was appointed on 1 March 2018

Mr P Rametse Acted in the postion of actining CFO and form 1 July 2017 until 28 February 2018 and was not paid for the postion

Remuneration of Director Community Services - ZE Mofokeng

Annual Remuneration	282 060	633 275
Car Allowance	-	300 000
Contribution to SDL	2 821	10 095
Contribution to UIF	549	1 785
Contributions to Medical and Pension Funds	-	16 477

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs (continued)

BackPay	-	24 047
Leave pay	-	95 728
	285 430	**1 081 407**

Mrs ZE Mofokeng was appointed on 1 Macrh 2018

Remuneration of Director Corporate Services - NE Radebe

Annual Remuneration	219 450	853 751
Car Allowance	24 000	96 000
Performance Bonuses	5 376	9 786
Contributions to UIF	446	1 785
Contributions to Medical and Pension Funds	6 000	24 000
Back pay	-	24 047
Leave pay	209 764	-
	465 036	**1 009 369**

Mr NE Radebe the contract expired in the 2017/2018 financial year and it was not renewed

Remuneration of Municipal Manager M J Matlole

Annual Remuneration	1 219 910	-
Car Allowance	11 830	-
Contribution to SDL	12 199	-
Contributions to UIF	744	-
	1 244 683	**-**

The MM was appointed on 1 February 2018

27. Remuneration of councillors

Councillors	5 800 615	5 487 409

27. Remuneration of councillors (continued)

In-kind benefits

The Mayor and Speaker are each provided with an office and secretarial support at the cost of the Council.

The Mayor and the speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has use of the municipal house.

Details of remuneration for the year ended 30 June 2018

Name of Councillor	Annual remuneration	Car allowance	Back pay and Advances	Mobile data	Contributions to pension fund, UIF and SDL	Total
Sigas JE	508 774	195 030	15 792	3 600	82 279	805 475
Motaung NE	468 073	156 024	12 634	3 600	5 965	646 296
Plessie M C DU	243 873	81 291	7 854	3 600	3 125	339 743
Oost J	184 452	61 484	5 940	3 600	2 372	257 848
Moloi MT	145 367	61 484	5 940	3 600	41 301	257 692
Hlongwane JJ	241 211	80 884	9 294	3 600	3 095	338 084
Jafta UC	184 452	61 484	5 940	3 600	2 372	257 848
Mosia AS	167 508	61 484	9 005	3 600	19 347	260 944
Mofokeng MM	160 393	61 484	5 940	3 600	25 962	257 379
Kotsi JT	242 651	80 884	7 854	3 600	3 110	338 099
Motloung WC	211 001	80 884	7 854	3 600	34 142	337 481
Monaune PM	233 730	77 910	7 854	3 600	2 997	326 091
Kubeka LS	187 463	58 473	5 940	3 600	2 378	257 854
Motloung FP	212 063	81 291	7 854	3 600	23 554	328 362
Rakoloti EN	184 452	61 484	5 940	3 600	2 372	257 848
Mokuene RP	193 373	64 458	10 596	3 600	3 696	275 723
Moloi TL	184 452	61 484	5 940	3 600	2 372	257 848
	3 953 288	**1 387 517**	**138 171**	**61 200**	**260 439**	**5 800 615**

Details of remuneration for the year ended 30 June 2017

Name of Councillor	Annual remuneration	Car allowance	Mobile data	Contributions to pension fund	Total
Sigas JE	494 356	189 503	3 600	79 969	767 428
Motaung NE	405 904	130 003	3 600	5 430	544 937
Plessie MCDU	235 626	78 542	3 600	3 021	320 789
Oost J	160 139	51 930	3 600	2 283	217 952
Sekhoto JJ	15 311	6 142	387	3 320	25 160
Moloi MT	172 906	64 853	3 387	44 936	286 082
Hlongwane JJ	219 364	73 652	3 600	18 682	315 298
Pretouis JJ	18 426	6 142	600	239	25 407
Jafta UC	179 548	58 072	3 600	2 243	243 463
Mosia AS	162 268	58 072	3 600	19 523	243 463
Motloung P	18 426	6 142	600	239	25 407
Hadebe M	18 426	6 142	600	239	25 407
Mofokeng MM	166 550	56 752	3 600	24 057	250 959
Kotsi JT	207 030	68 830	3 300	2 926	282 086
Motloung WC	206 287	73 652	3 300	31 187	314 426
Monaune PM	235 309	73 652	3 600	2 842	315 403
Kubeka LS	184 774	53 742	3 600	9 082	251 198
Mosia MA	22 775	8 200	600	2 837	34 412
Motloung FP	204 892	78 542	3 600	33 165	320 199
Rakoloti EN	179 548	58 072	3 600	2 243	243 463
Mokuene RP	160 139	51 404	3 300	2 275	217 118
Moloi TL	160 139	51 930	3 300	2 283	217 652
	3 828 143	**1 303 971**	**62 574**	**293 021**	**5 487 709**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Debt impairment

Contribution to consumer receivables from exchange transactions impairment provision	75 009 836	89 998 934
Contributions to consumer receivables from non-exchange transactions impairment provision	8 340 664	9 957 106
	83 350 500	**99 956 040**

29. Interest revenue

Interest revenue		
Financial Assets	866 459	117 916
Bank	13 443	4 853
Interest charged on trade and other receivables	16 028 618	23 607 036
	16 908 520	**23 729 805**

30. Other income

Donation from Department of Water affairs	-	1 056 220
Fines	9 250	125 327
	9 250	**1 181 547**

31. Depreciation and amortisation

Property, plant and equipment	55 218 611	55 930 957

32. Finance costs

Employee benefits	1 100 000	800 000
Trade and other payables	40 166 465	41 517 773
Non-current provisions	21 052	201 596
	41 287 517	**42 519 369**

33. Auditors' remuneration

Fees	91 165	5 368 786

34. Transfers and subsidies

Other subsidies		
Indigent subsidies	-	3 428 952

35. Bulk purchases

Water	40 261 545	20 231 330

Figures in Rand	2018	2017

36. Cash generated from operations

Deficit	(119 426 982)	(165 809 987)
Adjustments for:		
Depreciation and amortisation	55 218 611	55 930 957
Gain on sale of assets and liabilities	-	3 068 978
Actuarial loss on employee benefits	585 000	2 191 000
Debt impairment	83 350 500	99 956 040
Movements in provisions	424 155	495 554
Interest received on consumer deposits	(16 028 618)	(23 607 036)
Changes in working capital:		
Inventories	99 263	(578 089)
Other debtors	(1 817 804)	(1 012 314)
Consumer receivable from exchange transactions	(69 315 636)	(35 974 729)
Other receivables from non-exchange transactions	(3 070 942)	1 459 000
Payables from exchange transactions	76 442 371	78 672 231
VAT	1 964 392	(1 821 783)
Unspent conditional grants and receipts	(6 901 767)	(4 535 217)
Employee benefits	-	-
	1 522 543	**8 434 605**

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	72 036 093	90 918 165
Total capital commitments		
Already contracted for but not provided for	72 036 093	90 918 165

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	72 036 093	90 918 165

This committed expenditure relates to Capital and other projects and will be financed by available bank facilities, existing cash resources, funds internally generated, etc.

38. Contingencies

The following claim against the Municipality existed at year end:

Mafube Local Municipalityas received various summons from suppliers for non payment of accounts.

Mafube Local Municipality/ Greyhound and 2 others : Claim by Greyhound for the damage caused when the Freemans transport Truck bumped into the truck.

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Court cases / Litigations		
VIP Consulting Engineers: There is possible claim for services rendered which are disputed by the Municipality	799 258	799 258
Fire Fighters - Fire Fighters appointed on the Mayor's programs and took the Municipality to court as they wanted to be appointed permanently	900 000	900 000
NLC Maintenance - Dispute of payments on work done to water pumps	400 000	400 000
	2 099 258	**2 099 258**

39. Change in estimate

Provision for landfill sites:

Variables that changed resulting in a change to the provision

	2018	2017
Effect of discount rate change between financial years:	(382 689)	(952 064)
Updates to site lives:	(477 705)	(112 565)
Change in priced quotations:	(127 543)	(142 349)

40. Prior period errors

Prior year figures were restated due to misclassifications and prior period errors the nature of the prior period errors and misclassifications were due to:

Statement of Financial Position	Original audited 2017 figure	Prior period error	Reclassification	Total
Receivables from exchange transactions	25 386 540	(3 823 514)	-	21 563 026
Payables from exchange	425 135 788	20 133 636	(4 129 737)	441 139 687
Property, plant and equipment	701 449 657	44 036 002	-	745 485 659
Financial liability	-	-	4 129 737	4 129 737
Receivables from non exchange	188 314 104	(87 853 687)	-	100 460 417
	1 340 286 089	**(27 507 563)**	**-**	**1 312 778 526**

Statement of Financial Performance	Original audited 2017 figure	Prior period error	Reclassification	Total
Depreciation and amortisation	(50 169 282)	(5 761 675)	-	(55 930 957)
Finance costs	(33 629 402)	(8 889 967)	-	(42 519 369)
Debt impairment	(8 278 837)	(91 677 203)	-	(99 956 040)
Bulk purchases	(30 900 344)	-	10 669 014	(20 231 330)
General expenditure	(56 734 242)	-	(10 669 014)	(67 403 256)
	(179 712 107)	**(106 328 845)**	**-**	**(286 040 952)**

Disclosure notes	Original audited amount 2017	Prior period error	Relcassification	Total
Fruitless and wasteful expenditure	38 504 719	126 569 497	-	165 074 216
Unauthorised	63 654 422	950 689 308	-	1 014 343 730
Irregular expenditure	160 633 635	97 706 022	-	258 339 657
Contingent liabilities	131 125 106	(129 025 848)	-	2 099 258
Commitements	134 889 416	(14 481 743)	-	120 407 673
	528 807 298	**031 457 236**	**-**	**1 560 264 534**

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: including market risk (fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk

Notes to the Annual Financial Statements

Figures in Rand

41. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages a liquidity risk though an ongoing review of future commitments and credit facilities.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	52 745 133	-	-	-
Consumer deposit	1 479 268	-	-	-
Upsent conditional grant	8 953 816	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	44 139 687	-	-	-
Consumer Deposit	1 477 332	-	-	-
Unspent conditional grant	15 855 583	-	-	-

Credit risk

There were no material changes in respect of objectives, policies and processes for managing risks and in methods to measure risk

Credit risks consists mainly of cash deposits, cash equivalent and consumer receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any on counter-party.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumer on an ongoing basis. If consumers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the consumers, taking into account its financial position, past experience and other factors.

Consumer receivables are presented net of an allowance for impairment. Credit risk pertaining to consumer receivables is considered to be high due to a history of non-payment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but, in practice this is difficult to apply. Consumer receivables whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer receivables or receivable from exchange transaction is pledged as security for any financial liability.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Other financal assets	463 232	446 563
Receivables from exchange transactions	112 573 278	100 460 417
Receivables from non - exchange	9 255 225	21 563 026
Other debtors	8 198 776	6 380 965
Cash and Cash Bank	4 038 598	1 625 268

42. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of 119 426 982 and that the municipality's total liabilities exceed its assets by 343 821 870.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

Notes to the Annual Financial Statements

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43. Unauthorised expenditure

Opening balance	1 014 343 730	955 206 932
Current year	214 619 401	59 136 798
	1 228 963 131	**1 014 343 730**

Unauthorised expenditure relates to the overspending of the departmental budgets. The main reason for the overspent was due to no budget for impairment of financial assets, underbudgeting of bulk purchases and depreciation.

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44. Fruitless and wasteful expenditure

Opening balance	165 074 216	107 761 402
Current year	63 703 728	46 660 337
Prior period error	-	10 652 477
	228 777 944	**165 074 216**

45. Irregular expenditure

Opening balance	258 339 557	107 263 349
Add: Irregular Expenditure - current year	12 398 556	53 370 286
Add: Reversed write off	-	73 321 525
Prior priod adjustment	-	24 384 497
	270 738 113	**258 339 657**

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 961 700	2 649 203
Current year subscription / fee	390 312	383 700
Amount paid - previous years	(297 350)	(71 203)
	3 054 662	**2 961 700**

SALGA subscriptions for the current and prior reporting period.

Fraud investigations

There are currently fraud investigations taking place at the municipality

Audit fees - Auditor General

Opening balance	11 031 389	4 638 558
Current year subscription / fee	-	5 368 786
Amount paid - current year	-	751 630
Amount paid - previous years	(11 031 389)	814 281
	-	(541 866)
	-	**11 031 389**

PAYE, UIF and SDL

Opening balance	33 675 502	14 262 089
Current year subscription / fee	26 690 306	19 970 631
Amount paid - previous years	(2 877 772)	(557 218)
	57 488 036	**33 675 502**

Notes to the Annual Financial Statements

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	42 110 952	24 569 932
Current year subscription / fee	24 420 539	16 618 693
Amount paid - current year	-	(3 763 201)
Prior period error	-	4 685 518
	66 531 491	**42 110 942**

VAT

VAT payable	3 031 764	1 067 372

VAT output payables and VAT input receivables are shown in note 17.

Councillors arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
S Oost	70	-	70
J Oost	1 563	2 181	3 744
TI NE Motaung	1 878	-	1 878
JT Kotsi	1 616	31 740	33 356
M Moloi	1 420	2 663	4 083
SA Mosia	1 598	5 645	7 243
E Hadebe	1 932	26 456	28 388
JJ Hlongwane	710	4 184	4 894
M Mokoena	3 192	4 184	7 376
A Ramonotsi	1 889	37 213	39 102
LS Kubeka	1 234	5 677	6 911
WC Motloung	1 103	18 269	19 372
SP Monaune	624	10 871	11 495
	18 829	**149 083**	**167 912**

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mokoena RP	2 234	64 360	66 594
Oost S	323	-	323
Oost J	429	-	429
Jafta UC	510	-	510
Monaune PM	489	-	489
Mosia AS	1 279	-	1 279
Kotsi T	1 596	-	1 596
Motloung WC	1 148	-	1 148
	8 008	**64 360**	**72 368**

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

30 June 2018	Exceptional case	Sole supplier	Emergency	Total
September 2017	284 000	-	51 327	335 327
October 2017	-	-	462 495	462 495
January 2018	-	-	153 444	153 444
March 2018	331 170	-	-	331 170
	615 170	**-**	**667 266**	**1 282 436**

30 June 2017	Exceptional case	Sole supplier	Emergency	Total
July 2016	-	-	3 875 852	3 875 852
March 2017	7 197	3 000	107 790	117 987
June 2017	4 850	-	-	4 850
	12 047	**3 000**	**3 983 642**	**3 998 689**

48. Distribution losses

Water losses 2018

An average of 61% (R 24 7145 890) of bulk water purchased during the year were loss due to distribution losses incurred during the year.

Water losses 2017

An average of 56% (R 11 244 204) of bulk water purchased during the year were loss due to distribution losses incurred during the year.

49. Budget differences

Material differences between budget and actual amounts

1. More services were consumed than budgeted for

2.Less income was received than budgeted

3.Less interest was received than expected.

4 .Less fines were received than expected.

5. Less property rates were billed than expected

6.Less grants were received funds from treasury which were not budgeted for

7. Less salaries were paid than budgeted

8 Depreciation and amortisation was underbudgeted for.

9. More finance cost was incurred than budgeted

10. Debt impairment was underbudgeted for

11. Bulk purchases were under budgeted.

12. General expenditure was over budgeted for

13. The Municipality received a transfer of Work in progress assets fron Fezile Dabi